Economic Development

ESTIMATES

For the period ending March 31, 2008

Performance Report

The original version was signed by

Christian Paradis
Minister of Public Works and Government Services and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec

TABLE OF CONTENTS

MESSAGE FROM THE MINISTER RESPONSIBLE FOR THE AGENCY 1
MESSAGE FROM THE MINISTER OF STATE FOR THE AGENCY 3
MANAGEMENT REPRESENTATION STATEMENT 5
1 AGENCY OVERVIEW 7
1.1 Summary information 7
1.1.1 Raison d'être 7
1.1.2 The Agency in action 7
1.1.3 New performance measurement fundamentals 9
1.2 Performance summary 11
1.2.1 Comparison of planned spending to actual expenditures 11
1.2.2 Human resources 11
1.2.3 Strategic outcome #1: *Vitality of communities* 12
1.2.4 Strategic outcome #2: *Competitiveness of SMEs and regions* 14
1.2.5 Strategic outcome #3: *Policies, representation and cooperation* 16
1.2.6 Management priorities 18
1.2.7 Risk and issue analysis 19
1.2.8 Profile of expenditures 20
1.2.9 Voted and statutory item 22
2 ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME 23
2.1 Strategic outcome #1: *Vitality of communities* 23
2.1.1 Program activity: *Development of communities* 25
2.1.2 Program activity: *Infrastructure* 30
2.1.3 Program activity: *Special intervention measures* 33
2.2 Strategic outcome #2: *Competitiveness of SMEs and regions* 35
2.2.1 Program activity: *Competitiveness of enterprises (SMEs)* 36
2.2.2 Program activity: *Competitive positioning of regions* 41
2.3 Strategic outcome #3: *Policies, representation and cooperation* 44
2.3.1 Program activity: *Policies, programs and initiatives* 45
3 ADDITIONAL INFORMATION 49
3.1 Financial highlights 49
3.2 Tables in electronic format posted on the Treasury Board Secretariat Website 52
3.3 Other topics of interest 53
4 APPENDICES 55

MESSAGE FROM THE MINISTER RESPONSIBLE FOR THE AGENCY

I am pleased to sign this *Departmental Performance Report* with my colleague and Minister of State for the Economic Development Agency of Canada for the Regions of Quebec, the Honourable Denis Lebel.

This report demonstrates the relevancy of the initiatives and programs implemented by the Agency in order to contribute to the vitality of the communities and enterprise development in Quebec.

In these times of global market turbulence, more than ever before the Government of Canada is placing the economy at the heart of its priorities. It continues to support the engines of regional development—small- and medium-sized enterprises—in their various growth, marketing, innovation and export initiatives.

In 2006, the Government of Canada implemented *Advantage Canada*, a strategic and economic plan aimed at building a strong economy for Canadians, creating new opportunities and improving the country's economic prosperity.

This plan, whose underlying principles are to support investment to further sustainable growth and create a climate conducive to the development and success of our enterprises, is a testimony to the vision of the Government of Canada.

Our economic fundamentals are strong, the best among the major industrial nations, and the actions of the Agency are part of this context, by contributing to the growth of our enterprises as well as the well-being of our communities. The results presented in this report eloquently illustrate this fact.

The original version was signed by

Christian Paradis

Minister of Public Works and Government Services and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec

MESSAGE FROM THE MINISTER OF STATE FOR THE AGENCY

I am pleased to present the *Departmental Performance Report* of the Economic Development Agency of Canada for the Regions of Quebec for the period ending March 31, 2008.

In April 2007, the Agency introduced two new programs: *Community Diversification* and *Business and Regional Growth*. Measures reflecting both the priorities of the Government of Canada and the needs of Quebec's regions were also instituted.

The Quebec economy is facing many challenges. The rise in the Canadian dollar, soaring energy costs, increased scarcity of skilled labour, heightened foreign competition on emerging markets and slowing of the U.S. economy are some of the key factors behind the economic conditions that prevailed over the past year. It was against this backdrop that a series of measures were implemented and aimed, most particularly, at economically-devitalized regions.

As of March 31, 2008, the Agency was contributing financially to 1,386 projects at various stages of completion. With the $753.3 million in total funding they received, these projects generated overall investment totalling $2.6 billion. This investment has contributed to the creation, development and maintenance of employment-generating enterprises, an increase in tourism from outside Quebec and a rise in enterprise performance.

I am convinced that the determination, skill and dynamism of Quebec's entrepreneurs and regions are solid foundations from which they will rise to the challenges ahead and help build a strong and healthy economy for all Canadians. As you will read in the following pages, to do so, they can depend on the commitment and the support of the Agency.

The original version was signed by

Denis Lebel

Minister of State for the
Economic Development Agency of Canada
for the Regions of Quebec

MANAGEMENT REPRESENTATION STATEMENT

I submit for tabling in Parliament, the *2007–2008 Departmental Performance Report* for the Economic Development Agency of Canada for the Regions of Quebec.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007–2008 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance.
- It is based on the department's approved Strategic Outcomes and Program Activity Architecture that were approved by the Treasury Board.
- It presents consistent, comprehensive, balanced and reliable information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it.
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

The original version was signed by

Guy Mc Kenzie
Deputy Minister/President

Date: 29 août 2008

1

AGENCY OVERVIEW

1.1 Summary information

1.1.1 Raison d'être

Mission

The object of the Agency is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate. In carrying out this mission, the Agency shall take such measures as will promote cooperation and complementarity with Quebec and the communities of Quebec.

Vision

In the long term, Quebec's regions and communities will have increased their development capabilities, dynamism and prosperity in a lasting and significant manner for the benefit of their citizens.

Core mandate

Regular programs:

- Community Diversification
- Business and Regional Growth
- Regional Development Research
- Community Futures Program (CFP)

Special mandates

Programs mandated by the Government of Canada:

- Infrastructure Canada Program–Canada-Quebec Agreement 2000
- Canadian Apparel and Textiles Industry Program (CATIP) –CANtex component

1.1.2 The Agency in action

The Agency's aim is to increase the vitality of communities and strengthen the competitiveness of small- and medium-sized enterprises (SMEs) and regions while giving due consideration to the realities of Quebec's regions. Through its programs and presence in the regions, the Agency provides financial assistance, guidance and consulting services, analyses, forward-looking studies, referrals and information. It covers the entire province with its 14 business offices and delivers support to SMEs and non-profit organizations (NPOs).

In 2007-2008, the Agency targeted its actions to making the economic diversification of regions and communities posting slow economic growth a key priority. This priority was reflected in the implementation of four measures intended mainly for seven regions and 21 Regional County Municipalities (RCMs)[1] suffering devitalization: CEDI-Vitality, the Community Economic Facilities for the Regions support measure (CEF), the Venture Capital Fund for Business Startups in the Regions and the Capital Fund for Business Succession. In the area of business growth, the Agency made it a priority in all regions to strengthen the performance of innovative SMEs in key sectors through, among other things, the Partnering with Enterprises for Commercialization initiative.

Program priorities

Priority #1:
- Step up the economic diversification of regions and communities posting slow economic growth

Priority #2:
- Strengthen the performance of innovative SMEs in key sectors

Management priorities

Priority #3:
- Implement new Agency programs

Priority #4:
- Reinforce results-based management and initiate integrated planning

In 2007-2008, the Agency supported the economic development efforts of Quebec's regions through cooperation and collaboration with federal, Government of Quebec and Quebec community partners, notably by:

- collaborating with federal departments and agencies operating in the regions of Quebec
- collaborating with Government of Quebec departments and agencies
- working in cooperation with stakeholders in each region so as to pool their knowledge and skills
- helping the various regions and communities of Quebec through initiatives tailored to local realities.

By way of illustration, the Agency established 14 advisory committees across Quebec whose recommendations prompted the reflection process leading to the June 2008 announcement of a strategic plan to help communities and SMEs overcome development challenges.

1 See Appendix 1 for the list of seven devitalized regions and 21 devitalized RCMs: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

The Agency also set two priorities to ensure continuous improvement of its management practices, working to build staff capabilities with regard to its new programs and improving its planning and its performance measurement processes.

1.1.3 New performance measurement fundamentals

The Agency's new programs are implemented in such a way as to emphasize results-based management. Indeed, performance indicators have been established to reflect the new Program Activity Architecture (PAA) (see the following table). The performance of each Agency-funded project is thus measured using these indicators. Rigorous performance measurement practices, backed by a project monitoring system applied by advisors in the 14 business offices, ensure that data on the Agency's results can be collected and reported. Economic development support can take several years before producing a concrete impact in the regions. As such, other information sources will be added in the future to allow for better assessment of the long-term impacts on communities and enterprises funded by the Agency.

In addition to being able to measure project performance, the Agency recently implemented a system making it possible to monitor efforts by type of service provided (e.g. guidance and advice) or activity organized by the regional offices that produce results in the regions.

Analyzing the Agency's performance in 2007-2008 posed two methodological challenges, the first having to do with the fact that the results presented in this report involve projects carried out under both the Agency's former and new programs. The data collection methods used for the past and current programs therefore had to be harmonized so as to account for all of the projects subject to spending in 2007-2008. These program changes make it difficult however to compare current results with those recorded in previous years.

The second challenge centred on the fact that the projects approved under the new programs are less than a year old. It is still too early to measure the full impact of these projects on the communities and enterprises assisted by the Agency. Future departmental performance reports will be better positioned to account for the results arising from these new programs.

PROGRAM ACTIVITY ARCHITECTURE

The table below shows the Agency's full framework of program activities and subactivities and how they further its three strategic outcomes. This report presents an overview of the performance achieved in 2007-2008 in relation to these components.

Strategic outcomes	Program activities	Program subactivities
Vitality of communities – Dynamic and revitalized communities with better socio-economic prospects	*Development of communities*	▪ *Community mobilization* ▪ *Community development* ▪ *Attractive communities*
	Infrastructure	▪ *Water quality* ▪ *Highways and public transit* ▪ *Assets with urban and regional economic impacts* ▪ *Special infrastructure-dedicated programs*
	Special intervention measures	▪ *Community adjustment to economic shocks* ▪ *Community adjustment to natural disasters*
Competitiveness of SMEs and regions – Presence of conditions conducive to the sustainable growth and competitive positioning of SMEs and regions	*Competitiveness of enterprises (SMEs)*	▪ *Development of enterprises' capabilities* ▪ *Development of strategic enterprises*
	Competitive positioning of regions	▪ *Competitiveness poles* ▪ *International promotion*
Policies, representation and cooperation – Policies, programs and initiatives that reflect the realities of Quebec's regions	*Policies, programs and initiatives*	▪ *Strategic research and analysis* ▪ *Representation and influence* ▪ *Cooperation and collaboration*

1.2 Performance summary

1.2.1 Comparison of planned to actual expenditures

This table offers a comparison of the Main Estimates, planned spending, total authorities and actual spending by program activity.

	2005-2006	2006-2007	2007-2008			
Program activity *(in thousands of dollars)*	Actual spending	Actual spending	Main Estimates[2]	Planned spending	Total authorities	Actual spending
Development of communities	—	—	*162,859*	*163,010*	*173,960*	*166,681*
Infrastructure	—	—	*100,101*	*100,101*	*105,338*	*48,562*
Special intervention measures	—	—	*8,078*	*8,078*	*0*	*0*
Competitiveness of enterprises (SMEs)	—	—	*72,577*	*74,535*	*72,109*	*69,049*
Competitive positioning of regions	—	—	*44,497*	*44,551*	*45,443*	*45,515*
Policies, programs and initiatives	—	—	*6,588*	*6,588*	*6,590*	*6,578*
Total Agency spending	***334,235***	***364,899***	***394,700***	***396,863***	***403,440***	***336,385***
Less: Non-respendable revenue	*(45,791)*	*(50,211)*	*(42,500)*	*(42,500)*	*(42,500)*	*(53,906)*
Plus: Costs of services received without charge	*5,957*	*6,100*	*5,320*	*5,320*	*5,320*	*6,083*
Net cost for the Agency	***294,401***	***320,788***	***357,520***	***359,683***	***366,260***	***288,562***

The $60.5 million variance between total planned and actual spending is primarily attributable to the deferral to the coming year of planned infrastructure spending. Note that the Canadian Apparel and Textile Industries Program (CANtex) used to be considered a special intervention measure. For 2007-2008, the Agency recorded its interventions under this program in *Competitiveness of enterprises (SMEs)*.

1.2.2 Human resources

This table (opposite) shows the total number of full-time equivalents (FTEs). The difference between planned and actual numbers reflects the normal fluctuation in FTEs during the course of a year.

2007-2008		
Human resources *Full-time equivalent*		
Planned	Actual	Variance
409	401	-8

2 www.tbs-sct.gc.ca/est-pre/20072008/me-bd/pub/ME-002_e.asp

1.2.3 Strategic outcome #1: *Vitality of communities*

Performance objective:	Summary of performance:	Variance in budget intensity[3]:
Generate socio-economic spinoffs	Leverage[4]: $1 from the Agency ⇒ $3.18 in investment 98% of promoters reported they could not have carried out their project without Agency financial assistance or could not have carried it out on the same scale or within the same timeframe.	↗ 7%

Community vitality is linked to improved quality of life for citizens. It enables Quebec communities to be dynamic so they enjoy better socio-economic prospects and maintain and develop their economic activity base.

In 2007-2008, a larger share of grants and contributions spending was devoted to the *Vitality of Communities* strategic outcome than to *Competitiveness of SMEs and regions*.

Summary of progress made in relation to 2007-2008 program priorities

The Agency made it its priority to *Intensify the economic diversification of regions and communities posting slow economic growth* through one of its program activities, namely *Development of communities*. This priority contributed to the development of communities in Quebec, particularly those in the seven regions and 21 Regional County Municipalities (RCMs)[5] suffering the greatest devitalization. The Agency's efforts were translated into action through CEDI-Vitality, support for Community Economic Facilities (such as industrial parks, loading docks, railway lines and telecommunications systems), the Venture Capital Fund for Business Startups in the Regions and the Capital Fund for Business Succession. In line with this priority, the Agency had planned to invest $80 million in grants and contributions. Actual grants and contributions spending reached $90 million[6] for the devitalized communities. For *Development of communities* overall, the Agency planned to spend $163 million, whereas its actual spending in the area totalled $166.7 million.

3 This information shows whether 2007-2008 efforts were consistent with established priorities. Given that the Program Activity Architecture covers a wide range of types of intervention, it is important that the Agency make judicious choices regarding investment targets. The variation in budget intensity indicator measures the Agency's capacity for exercising its mandate according to the priorities it has set. Its calculation is based on the difference between the strategic outcome's total share of actual spending in 2007-2008 versus its total share of actual spending in 2006-2007. Total spending excludes the *Infrastructure* program activity.

4 The leverage effect is obtained by dividing total cost of projects (at approval) by total funding authorized by the Agency.

5 See Appendix 1 for the list of seven devitalized regions and 21 devitalized RCMs: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

6 Actual spending may include expenditures in the seven regions and 21 RCMs under the *Competitiveness of SMEs and regions* strategic outcome.

1.2.3 Strategic outcome #1: *Vitality of communities* (continued)

Summary of results and spending[7] *(in thousands of dollars)* in 2007-2008

Program activity	Anticipated results	Actual results (sample)[8]	Planned spending	Total authorities	Actual spending	Link to Government of Canada performance: Strong Economic Growth[9]
Development of communities	Development initiatives and projects generate socio-economic spinoffs within communities.	154 development initiatives and projects have been or are being carried out	*163,010*	*173,960*	*166,681*	
	Communities benefit from enterprises that generate jobs and wealth.	An average of nearly 7.2 jobs created and maintained per funded SME, particularly in devitalized communities				
	Communities are "attractive", tangibly drawing and retaining tourists and skilled individuals.	Increase of more than 400,000 tourists from outside Quebec Eight community economic facilities (e.g. acquisition of the Matapédia-Chandler railway line)				
Infrastructure	Rural and urban communities have quality public infrastructure.	More than 1.4 million households have or will have access to new or improved infrastructure.	*100,101*[10]	*105,338*	*48,562*[10]	
Special intervention measures	N/A	N/A	*8,078*[11]	*0*	*0*[11]	

7 Total spending includes operating expenditures and grants and contributions spending.

8 See Section 2 for detailed information on the results obtained.

9 Section 2 makes the link with Government of Canada performance - www.tbs-sct.gc.ca/report/govrev/06/cp-rc04-eng.asp. The Agency targets the economic diversification of Quebec's devitalized regions and the sectoral competitiveness of SMEs and regions in order to bring about improved quality of life and a higher standard of living for Canadians.

10 The $51.5 million variance between planned ($100.1 million) and actual ($48.6 million) spending is attributable to the carry-over of promoters' expense claims to the following year.

11 The Canadian Apparel and Textiles Program (CANtex) used to be considered a special intervention measure. In 2007-2008, the Agency recorded its interventions under this program ($8 million) under *Competitiveness of enterprises (SMEs)*.

1.2.4 Strategic outcome #2: *Competitiveness of SMEs and regions*

Performance objective:	Summary of performance:	Variance in budget intensity[12]:
Improve the performance of enterprises and competitiveness of regions	Leverage: $1 from the Agency ⇒ $3.77 in investment[13] 94% of promoters reported they could not have carried out their project without Agency financial assistance or could not have carried it out on the same scale or within the same timeframe.	↘ 9%

This second strategic outcome, *Competitiveness of SMEs and regions*, seeks to reinforce conditions conducive to the sustainable growth and competitive positioning of SMEs and regions through the development of SMEs' strategic capabilities, networks, innovation and knowledge.

In 2007-2008, the share of total spending allocated to this strategic outcome decreased by 9% from 2006-2007, reflecting the priority given to the economic diversification of devitalized communities.

Summary of progress made in relation to 2007-2008 program priorities

Under this strategic outcome, the Agency's priority for 2007-2008 was to *Reinforce the performance of innovative SMEs in key sectors*. To achieve this, the Agency stepped up its efforts to obtain results under its *Competitiveness of enterprises (SMEs)* program activity, particularly in the area of *Development of enterprises' capabilities*. To this end, the Agency planned $54 million in contributions and grants spending in 2007-2008, while its actual spending amounted to $51.7 million. For *Competitiveness of enterprises (SMEs)* as a whole, the Agency forecast an investment of $74.5 million, whereas its actual spending in the area totalled $69 million. The rise in the value of the Canadian dollar may have made it more difficult or less appealing for SMEs to sell to the U.S. market. Consequently, the Agency saw a decrease in its investments in the implementation of foreign commercialization strategies.

12 This information shows whether 2007-2008 efforts were consistent with established priorities. Given that the Program Activity Architecture covers a wide range of types of intervention, it is important that the Agency make judicious choices regarding investment targets. The variation in budget intensity indicator therefore measures the Agency's capacity for exercising its mandate according to the priorities it has set. Its calculation is based on the difference between the strategic outcome's total share of actual spending in 2007-2008 versus its total share of actual spending in 2006-2007. Total spending excludes the *Infrastructure* program activity.

13 The leverage effect is obtained by dividing total cost of projects (at approval) by total funding authorized by the Agency.

1.2.4 Strategic outcome #2: *Competitiveness of SMEs and regions* (continued)

Summary of results and spending[14] *(in thousands of dollars)* in 2007-2008

Program activity	Anticipated results	Actual results (sample)[15]	Planned spending	Total authorities	Actual spending	Link to Government of Canada performance: Strong Economic Growth[16]
Competitiveness of enterprises (SMEs)	Enterprises are high-performance and competitive.	Average increase of $808,200 in revenues and $583,500 in foreign sales for funded SMEs, with 339 enterprises having improved their productivity	*74,535*	*72,109*	*69,049*	
Competitive positioning of regions	Competitive regions and poles contribute to enhancing Canada's competitive positioning.	4,585 enterprises networked	*44,551*	*45,443*	*45,515*	

14 Total spending includes operating expenditures and grants and contributions spending.

15 See Section 2 for detailed information on the results obtained.

16 Section 2 makes the link with Government of Canada performance - www.tbs-sct.gc.ca/report/govrev/06/cp-rc04-eng.asp. The Agency targets the economic diversification of Quebec's devitalized regions and the sectoral competitiveness of SMEs and regions in order to bring about improved quality of life and a higher standard of living for Canadians.

1.2.5 Strategic outcome #3: *Policies, representation and cooperation*

Performance objective:	Summary of performance:	Variance in budget intensity[17]:
Strengthen Quebec's regional economies through policies, programs and actions that reflect the realities of the regions.	Quebec regions and communities benefit from adapted, coherent and effective federal action.	↗ 2%

This third strategic outcome ensures Quebec's regions and communities benefit from federal policies, programs and initiatives that reinforce the economic development of Quebec regions.

Summary of progress made in relation to 2007-2008 management priorities

One of the Agency's management priorities for 2007-2008 was to *Implement new programs in a coherent and effective manner*. Through the development of tools and guidelines and staff training, the Community Diversification and the Business and Regional Growth programs were successfully implemented. The Agency further met its planned achievements under this priority by setting policies to guide delivery of these programs and by establishing a strategic plan for 2008-2011 (announced in June 2008) that better addresses the challenges and issues facing communities, enterprises and the regions.

17 This information shows whether 2007-2008 efforts were consistent with established priorities. Given that the Program Activity Architecture covers a wide range of types of intervention, it is important that the Agency make judicious choices regarding investment targets. The variation in budget intensity indicator measures the Agency's capacity for exercising its mandate according to the priorities it has set. Its calculation is based on the difference between the strategic outcome's total share of actual spending in 2007-2008 versus its total share of actual spending in 2006-2007. Total spending excludes the *Infrastructure* program.

1.2.5 Strategic outcome #3: *Policies, representation and cooperation* (continued)

Summary of results and spending[18] *(in thousands of dollars)* in 2007-2008

Program activity	Anticipated results	Actual results (sample)[19]	Planned spending	Total authorities	Actual spending	Link to Government of Canada performance: Strong Economic Growth[20]
Policies, programs and initiatives	Quebec's regions and communities are benefiting from adapted, coherent and effective federal action (policies, programs and initiatives) that generates socio-economic spinoffs, and Quebec's communities and regions are harnessing business and development opportunities.	Two new core programs implemented Recommendations by 14 advisory committees in as many regions taken into account in the Agency's 2008-2011 strategic plan Two trade missions to the U.S. organized Support initiative for international cruise development established with government bodies	*6,588*	*6,590*	*6,578*	

18 Total spending includes operating expenditures and grants and contributions spending.

19 See Section 2 for detailed information on the results obtained.

20 Section 2 makes the link with Government of Canada performance - www.tbs-sct.gc.ca/report/govrev/06/sp-rc04-eng.asp. The Agency targets the economic diversification of Quebec's devitalized regions and the sectoral competitiveness of SMEs and regions in order to bring about improved quality of life and a higher standard of living for Canadians.

1.2.6 Management priorities

In its *2007-2008 Report on Plans and Priorities* (RPP), the Agency committed to pursuing four priorities, two of them targeting internal management as a means of helping it achieve its strategic outcomes. These management priorities consisted of *Implementing new Agency programs* (coming under the framework of the third strategic outcome) and *Reinforcing results-based management*.

In an effort to *Reinforce results-based management*, the Agency carried out a number of integrated planning, performance measurement, information management and evaluation activities that enabled it to register progress in this area:

- A first departmental plan arising from an integrated planning process was developed. In addition to laying out operational forecasts in a detailed manner, this plan incorporates financial and human resource aspects as well as the dimensions of risk management, performance, information and intersectoral collaboration.
- The performance measurement framework (standardized performance indicators) was put into operation. Business office advisors were given training and tools to enable them to carry out rigorous performance measurement.
- Performance information management practices were improved. The Agency placed particular emphasis on improving the quality of its performance data. The indicators to measure performance for all of the projects approved for funding in 2007-2008 were streamlined.
- The team of evaluators was strengthened. Through the evaluations conducted in Fiscal Year 2007-2008 (see table of evaluations[21]), the Agency was able to fine-tune its evaluation tools and methods and formulate judicious recommendations as to the timeliness of its interventions.
- A system to monitor the services offered and activities conducted by the business offices was put in place. This system will make it possible to track all of the resources used to carry out the activities that generate results in the regions.
- An action plan for improving management capabilities was developed and implemented. The evaluation conducted by the Treasury Board Secretariat (in accordance with the *Management Accountability Framework*[22]) identified an improvement in the Agency's performance in this regard.

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21 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN&SEL_MENU=PUB_AGE&FICHIER_RETOUR=doc_pub_agence.asp

22 To view the *Management Accountability Framework*: www.tbs-sct.gc.ca/maf-crg/index_e.asp

1.2.7 Risk and issue analysis

General background

Certain external factors have had an impact on the Agency's efforts in Quebec's regions and communities. Indeed, it is largely due to the buoyancy of domestic demand that the Quebec economy grew by 2.4% in 2007, virtually the same rate it has averaged over the last five years but slightly lower than the average rate for Canada's provinces as a whole (2.7%). The economy was invigorated by the growth in consumer spending, public spending and business investment. However, the strength of the Canadian dollar, coupled with the slowing of the U.S. economy, brought exports to a virtual standstill (+ 0,1%) and widened the trade deficit (more than $24 billion). Despite this, the Quebec labour market is faring relatively well, with employment growth affecting the different regions of the province to varying degrees.

Given the Quebec economy's openness to the world, changes in the global economic context are considerably influencing growth in various sectors. The manufacturing sector, in particular, is feeling the impact of these changes. The rapid jump in energy and raw material costs in relation to manufacturers' selling prices has put a major cost squeeze on enterprises. At the same time, the Quebec economy is grappling with the additional difficulty of finding skilled labour, a situation that could have a negative impact on its long-term economic growth.

Issues linked to Strategic outcome #1: *Vitality of communities*

Sectors that are predominantly present in the devitalized communities are undergoing adjustment. The economic situation in the forest industry has been characterized by heavy job losses over the past few years (nearly 30,000 jobs lost between 2005 and 2007). The softwood lumber dispute, high cost of fibre supply, rising energy costs, adjustments precipitated by the 20% reduction in stumpage rights and the high Canadian dollar have posed considerable challenges to the industry. The mining sector, for its part, is undergoing a good period marked by significant investment and job recovery. The revitalization of mining exploration activities in Quebec is the result of the rise in base metal prices generated by growing, sustained demand from emerging countries.

Issues linked to Strategic outcome #2: *Competitiveness of SMEs and regions*

The Agency has had to deal with a number of challenges relating to productivity, innovation, energy and enterprise performance in its efforts to support the competitiveness of Quebec's SMEs and regions. Productivity in Quebec is lower than the national average and lags behind that of most Organisation for Economic Cooperation and Development (OECD) countries. This has demanded the need for a higher level of investment in machinery and equipment. The strong Canadian dollar has translated into lower prices on the global market, thereby encouraging investment in leading-edge technologies. Sustained effort in innovation also helped improve business productivity. But despite their active involvement in research and development, Quebec enterprises, and SMEs in particular, had a hard time bringing their innovations to market. The higher transportation costs brought on by rising fuel prices made distance an undermining factor in the competitiveness of some regions and sectors. In contrast, the rise in fuel prices also had an incidence on the long-term impact of the relocation of manufacturing operations to emerging markets by forcing enterprises to move closer to their respective markets.

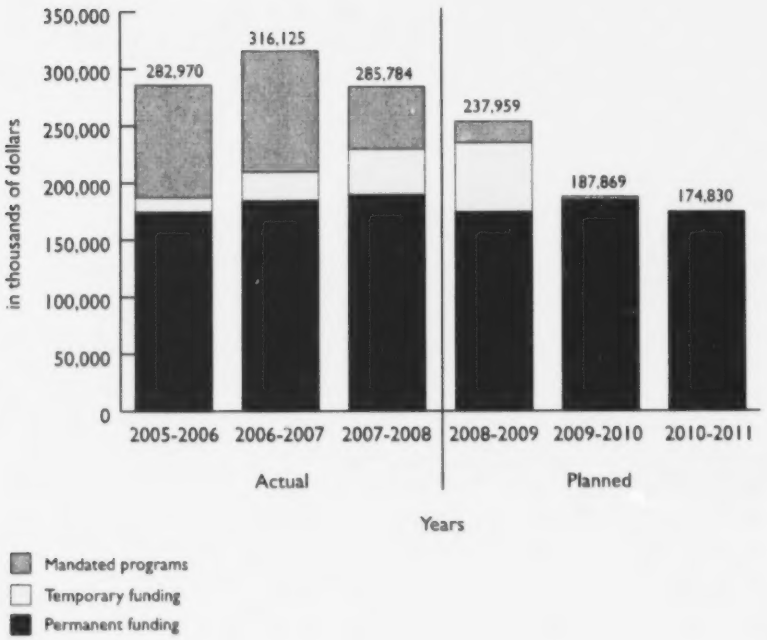
Management issues

Results in regional economic development take time to materialize. To adequately report on the performance of the new programs, it is necessary to track the funded projects over several years and make use of various sources of data to determine the impact of the Agency's interventions on the communities and SMEs it supports.

1.2.8 Profile of expenditures

The Agency's actual expenditures for 2007-2008 reached $336.4 million, of which $285.8 million was grants and contributions spending. The Agency plans to gradually decrease its expenditures over the coming years to $218.1 million in total spending in 2010-2011, of which $174.8 million for grants and contributions. This decrease is mainly attributable to the completion of temporary funding awarded for such specific projects as the 400th anniversary of Québec and the *Chantier de l'économie sociale* Trust as well as to the termination of mandated programs (Infrastructure Canada Program and CANtex) for which the Agency receives dedicated funding. Excluding the amounts relating to the additional funds for strategic investments in permanent funding, Agency spending has remained relatively stable. The following chart shows the evolution of grants and contributions spending over a six-year period.

GRANTS AND CONTRIBUTIONS SPENDING TRENDS



1.2.9 Voted and statutory item

This table repeats the summary table from the Main Estimates and shows appropriations voted (Main Estimates) by Parliament; resources provided for in the *Report on Plans and Priorities 2007-2008*; level of spending authorized (total authorities) as per changes made in the Supplementary Estimates; and funds used (actual expenditures).

		2007-2008 *(in thousands of dollars)*			
Vote or statutory item	Truncated vote or statutory wording	Main Estimates[23]	Planned spending	Total authorities	Actual expenditures
1	Operating expenditures	*42,357*	*44,444*	*48,675*	*45,663*
5	Grants and contributions	*346,842*	*346,842*	*349,822*	*285,784*
(S)	Contribution to employee benefit plans	*5,501*	*5,577*	*4,934*	*4,934*
(S)	Spending of proceeds from disposal of surplus Crown assets	—	—	9	4
Total		***394,700***	***396,863***	***403,440***	***336,385***

The $60.5 million variance between total planned and actual spending is primarily attributable to the deferral to the coming year of planned infrastructure spending.

23 www.tbs-sct.gc.ca/est-pre/20072008/me-bd/pub/ME-002_e.asp

2

ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

2.1 Strategic outcome #1: *Vitality of communities*

Dynamic and revitalized communities enjoying better socio-economic prospects and developing their economic activity base

"Agency contributions within Quebec communities produce $3.18 in financial leverage for every dollar spent. Approved funding of $408.8 million generates $1.3 billion in total investment."[24]

Many regions and communities that have traditionally resource-based economies and are geographically distant from major markets are having a hard time diversifying their economic base. Because of their strong economic reliance on a small number of industries or sectors, these communities are often the ones most severely hit in the event of a crisis in one of their predominant sectors.

Baseline used for reporting

The baseline used to present the main results observed as of March 31, 2008 is composed of the projects that were subject to expenditures by the Agency in Fiscal Year 2007-2008. This baseline includes projects that may have been initiated, pursued or completed during the course of the year. The performance reported reflects results obtained since project outset. The Agency's planned investments in all of the projects in progress, including projects that received no spending in 2007-2008, are factored into the leverage calculations.

24 These amounts exclude the *Infrastructure* program activity, the results of which are presented in Section 2.1.2.

It is with this in mind that the Agency carries out its mission to help Quebec communities posting slow economic growth improve their development capabilities and dynamism. The Agency also intervenes financially in all communities to renew and help build infrastructure that will ensure citizens a better quality of life.

The Agency pursues Strategic outcome #1: *Vitality of Communities* through three program activities:

- *Development of communities* – by developing a community in terms of its capabilities for socio-economic adjustment, support for emergence of new entrepreneurs and creation of small- and medium-sized enterprises, attraction of tourists and attraction and retention of skilled individuals
- *Infrastructure* – by renewing and building quality public infrastructure in Quebec's rural and urban communities
- *Special intervention measures* – by supporting communities facing major economic shocks.

In Fiscal Year 2007-2008, a larger share of the Agency's funding was devoted to the *Vitality of communities* strategic outcome, and more specifically to the *Development of communities* program activity, which accounted for 50% of Agency spending.

2.1.1 Program activity: *Development of communities*

Strategic outcome	Program activity	Program subactivity
Vitality of communities – Dynamic and revitalized communities with better socio-economic prospects	*Development of communities*	▪ *Community mobilization* ▪ *Community development* ▪ *Attractive communities*

Expected outcomes of the *Development of communities* program activity

Results:	Summary of performance:	Variance in budget intensity[25]:
Communities are pursuing a development vision and implementing resulting initiatives.	31 communities have acquired a development or diversification plan 154 development initiatives and projects have been or are in the process of being carried out	↘ 1%
Enterprises are contributing to community economic growth and maintenance.	$72.8 million invested in the creation, growth or maintenance of 139 SMEs Average increase in sales of $486,000 2,354 jobs created or maintained[26]	↘ 1%
Communities are recognized for their distinctiveness, brand image or outreach.	Increase of 400,000 tourists from outside Quebec Average increase in sales of $368,100 for operators associated with a tourism offering funded by the Agency Eight new, modernized or expanded community facilities totalling $119.3 million in investments (e.g. acquisition of the Matapédia-Chandler railway line).	↗ 6%

2007-2008

Financial resources *(in thousands of dollars)*			Human resources *(full-time equivalents)*		
Planned spending	Total authorities	Actual spending	Planned	Actual	Variance
163,010	*173,960*	*166,681*	188	184	-4

25 This information shows whether 2007-2008 efforts were consistent with established priorities. See Appendix 3: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

26 Excludes jobs created and maintained through the CFP.

Program activity summary

A community's vitality depends on its ability to develop, grow and thrive by building on its own assets. The Agency promotes the dynamism of Quebec's communities by helping them maintain and develop their economic activity base.

The objectives pursued by the *Development of communities* program activity are:

- Community mobilization: fostering communities' development and increasing their mobilization by drawing up visions and projects of local and regional scope
- Community development[27]: assisting communities through support for entrepreneurship and through creation or maintenance of viable enterprises
- Attractive communities[28]: increasing communities' capability to attract tourists and skilled individuals.

The Agency provided direct support to SMEs and NPOs through its Community Diversification grants and contributions program as well as funding to development organizations Community Futures Development Corporation (CFDC), Community Economic Development Corporation (CEDC), Business Development Centre (BDC) through the CFP.

Agency intervention under this program activity was linked to the *Intensifying the economic diversification of regions and communities posting slow economic growth* priority and targeted more specifically Quebec's seven regions and 21 RCMs[29] suffering devitalization. This priority was pursued through the following initiatives: the Community Economic Diversification Initiative – Vitality (CEDI-Vitality) and support measures for business startups in the regions, business succession and community economic facilities.

Government of Canada's legacy for the 400th anniversary of Québec

The Government of Canada contributed $110 million to commemorate the 400th anniversary of the founding of Québec. Of that, a total of $40 million was spent by the Agency, $25 million of it in Fiscal Year 2007-2008.

The Agency's contribution involves the *Where Water and Man Meet* project for the redevelopment of Baie de Beauport, Pointe-à-Carcy and Bassin Brown. These three sites, which provide views to discover or rediscover the St. Lawrence River, will be forever recorded in the annals of Québec and Canadian history as the federal government's legacy to the city.

27 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

28 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

29 See Appendix 1 for the list of seven devitalized regions and 21 devitalized RCMs: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

Analysis of performance and benefits to Canada

Certain external factors had an impact on the communities supported by the Agency. Indeed, the slowing of the U.S. economy, rise in the Canadian dollar, soaring energy and raw material costs and competition from emerging countries (e.g. China and India) had an effect on the manufacturing sector, among others. Moreover, restructuring of the forest industry continued, impacting many of the communities (some of them devitalized) that rely on the sector. Some of these communities are more vulnerable due to their low level of economic diversification or they are facing such challenges as insufficient and obsolete community infrastructure.

The total value of the 674 projects supported by this program activity was $1.3 billion, a third of which (or $408.8 million) was from Agency contributions.

Total actual spending for current projects stood at $166.7 million for Fiscal Year 2007-2008, slightly higher than the $163 million in planned spending.

Of this $166.7 million in actual spending by the Agency in 2007-2008:

- $39 million[30] went to supporting such local and regional development organizations as the CFDCs, BDCs and CEDCs (including the Venture Capital Fund for Business Startups in the Regions and Capital Fund for Business Succession). These investments contributed to the creation and maintenance of 14,569 jobs. The funds, for their part, clearly helped make venture capital more accessible in the regions for succession and startup activities.[31] Both initiatives posted good results in terms of the number of projects supported and volume of capital made available in the targeted regions. The evaluation of the initiatives confirmed the need for these funds in regions experiencing slow economic growth or an entrepreneurial shortage.
- $5.7 million was invested in the *Chantier de l'économie sociale* Trust.[32] This funding made it possible to grant 12 loans to social economy enterprises and generate $25 million in investment.

30 This amount excludes operating costs.

31 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN&SEL_MENU=PUB_AGE&FICHIER_RETOUR=doc_pub_agence.asp

32 www.dec-ced.gc.ca/asp/SalleNouvelles/communiques.asp?LANG=EN&TYPE_COMM=COMM&PRESS_RELEASE_ID=4778

The Agency also funds Canada Business Service Centres (CBSCs),[33] which provide government information and referral services to business. Operating expenditures for 2007-2008 were $1.7 million, while annual operating budgets stood at $1.8 million. The CBSCs responded to more than 26,000 requests for information, of which some 4,800 were received in person and 17,600 over the phone.

Maintaining or improving the quality of life in communities is a prerequisite to creating the kind of environment that enables enterprises and regions to become more competitive. The Agency supported projects that help set these conditions by, among other things, mobilizing communities experiencing slow economic growth, creating and maintaining jobs and improving tourist attractions.

Community Economic Diversification Initiative – Vitality (CEDI-Vitality)

In September 2006, the Agency established CEDI-Vitality, a four-year $85 million support measure that addresses a variety of needs relating to the development of entrepreneurship, conversion or startup of enterprises and execution of flagship projects to generate sustainable employment.

In 2007-2008, the Agency granted to the tune of $53.6 million in financial assistance over several years to 329 projects aimed at supporting entrepreneurs and non-profit organizations in seven regions and 21 Regional County Municipalities suffering significant devitalization. Of this amount, $24 million was disbursed in 2007-2008.

In a tangible sense, as of March 31, 2008, Agency funding through its initiatives had enabled:

- mobilization of 31 heavily devitalized communities (notably in Chandler, New-Richmond and Basse-Côte-Nord) through the establishment of an economic diversification or development plan
- implementation of 154 initiatives that will help generate socio-economic spinoffs within these communities (e.g. enhancement of non-forest timber products, direct-sales activities, activities arising from a recovery plan, etc.)
- investment of $72.8 million in the creation, development or maintenance of 139 SMEs

33 *Info entrepreneurs* and *Resources Entreprises* satellite centres.

- an annual average increase in sales of $486,000 (46 SMEs)
- creation or maintenance of 2,354 jobs (or 7.2 jobs created or maintained per assisted enterprise[34])
- targeted intervention in the commercialization of tourism offerings, producing $58.1 million in investment, the creation or improvement of 52 tourist attractions and an increase of 400,000 tourists from outside Quebec
- an average increase in sales of $368,100 for 19 tourism operators
- a total investment of $119.3 million in the creation, modernization or expansion of eight community facilities. Of this amount, $35 million was invested ($14.5 million of it Agency-approved assistance) through the Community Economic Facilities support initiative (e.g. acquisition of the Matapédia-Chandler railway line). Despite the magnitude of this investment, the results of interventions of this nature generally only tend to become tangible in the longer range. As such, the Agency intends to rely on impact studies to track the economic spinoffs generated by these interventions over the coming years.

Based on an annual survey conducted within the framework of this report, 98% of promoters said they could not have carried out their project without Agency financial assistance or could not have carried it out on the same scale or within the same timeframe. Such a high percentage is evidence of the incentive nature of Agency financial assistance. In conclusion, the performance of the *Development of communities* activity program indicates that progress has been made in terms of the achievement of desired outcomes. Indeed, the Agency realizes that socio-economic spinoffs from this intervention will take longer to materialize than under other program activities due to its emphasis on slow economic growth regions.

Lessons learned

The Agency decided to pursue its Community Economic Diversification Initiative – Vitality (CEDI-Vitality) to achieve better results and more effective actions to strengthen the economic base of devitalized regions. The Agency also developed and unveiled the Major Economic and Tourism Facilities initiative to help regions improve their drawing power and increase their economic spinoffs from tourism. This measure includes the following components: Community Economic Facilities (announced in Fall 2006), Access to broadband services in the regions, International Cruise Development along the St. Lawrence and Saguenay Rivers, and Major Tourism Facilities.

34 This average excludes jobs created or maintained through NPOs. See Appendix 3 for the methodology used in this calculation: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

The Agency is also working to further incorporate its commitments on official language minority communities, sustainable development and multiculturalism into its planning operations.

These efforts by the Agency will ensure more effective support of devitalized communities through initiatives that reflect its priorities, thereby better helping these communities achieve economic diversification and long-term prosperity.

2.1.2 Program activity: *Infrastructure*

Strategic outcome	Program activity	Program subactivity
Vitality of communities – Dynamic and revitalized communities with better socio-economic prospects	*Infrastructure*	▪ *Water quality* ▪ *Highways and public transit* ▪ *Assets with urban and regional economic impacts* ▪ *Special infrastructure-dedicated programs*

Expected outcomes of the *Infrastructure* program activity

Result:	Indicators:	Summary of performance:
Rural and urban communities have quality public infrastructure.	Municipalities have quality drinking water.	398 water quality infrastructure projects
	Cities and municipalities have safe highways and public transit.	364 local highway infrastructure projects
	Maintenance and renewal of assets is improving the economic activity base of communities.	134 projects with urban or rural economic impacts

2007-2008

Financial resources *(in thousands of dollars)*			Human resources *(full-time equivalents)*		
Planned spending	Total authorities	Actual spending	Planned	Actual	Variance
100,101	*105,338*	*48,562*	21	20	-1

Program activity summary

The quality of community infrastructure has an impact on citizens' quality of life. Quality infrastructure enables a community to attract and retain businesses and workers to secure its economic and social future. It also ensures the safe and efficient circulation of people and merchandise.

It is in this spirit that the Government of Canada has introduced a series of infrastructure support programs since 2000 and, among others, in October 2000, it signed an agreement with the Government of Quebec on implementation of the Infrastructure Canada Program (ICP).[35] In July 2005, this agreement was amended to extend the term of the ICP to March 31, 2011, and to incorporate a new program: the Municipal Rural Infrastructure Fund (MRIF). The MRIF came into effect July 18, 2005, and the deadline for project approval is December 31, 2008.

The Agency has full responsibility over administration of the ICP. With regard to the MRIF and Canadian Strategic Infrastructure Fund (CSIF) projects, the Agency partners with Infrastructure Canada in delivering these initiatives. Infrastructure Canada reports on the MRIF and CSIF activities and results in its departmental performance report.[36]

The ICP is aimed at the repair, replacement or construction of infrastructure and includes three components: water quality, highways and public transit, and assets with urban or regional economic impacts.

The ICP's objectives are to:

- improve the quality of the environment
- support long-term economic growth
- enhance community infrastructure
- build 21st century infrastructure by using the best technologies, new approaches and best practices.

35 A Canada-Quebec Agreement concerning Infrastructure programs.

36 www.infrastructure.gc.ca/index_e.shtml

Analysis of performance and benefits to Canada

The total value of the 127 active[37] ICP projects was $785.5 million, $228 million of it from Agency funding. Actual spending for the year totalled $48.6 million, while planned spending as reported in the 2007-2008 RPP was $100 million. This variance is attributable to the carry-over of unclaimed expenses from the year.

The funded activities consisted of investments in Quebec municipal, urban and rural infrastructure to improve the quality of the environment so as to support long-term economic growth, enhance community infrastructure and build 21st century infrastructure.

As of March 31, 2008, the projects funded since the start of the program[38] had yielded the following benefits:

- 3,873 households connected or to be connected to a municipal water system
- 549,744 households connected or to be connected to a municipal water system supplying better-quality drinking water
- 19,063 additional households connected or to be connected to a municipal sewage collection and water treatment system
- 847,788 households connected or to be connected to an improved sewage collection and water treatment system
- 262 communities with improved highways and public transit infrastructure
- 90 communities with improved sports, recreational and cultural facilities
- 880 permanent jobs created as a direct result of these projects.

A post-program evaluation of the ICP is under way to determine project outcomes.

Lessons learned

Based on the high number of applications received, the ICP clearly answers a real need in Quebec's regions. This strong demand justifies the need to pursue other infrastructure programs. In the 2007 Speech from the Throne, a new infrastructure program—the Building Canada Plan—was announced to help Canada's provinces, territories and communities build modern, 21st century infrastructure.

37 Number of projects not completed as of March 31, 2008.

38 Benefits from the 896 projects approved since implementation of the ICP.

2.1.3 Program activity: *Special intervention measures*

Strategic outcome	Program activity	Program subactivity
Vitality of communities – Dynamic and revitalized communities with better socio-economic prospects	*Special intervention measures*	▪ *Community adjustment to economic shocks* ▪ *Community adjustment to natural disasters*

2007-2008

Financial resources *(in thousands of dollars)*			Human resources *(full-time equivalents)*		
Planned spending	Total authorities	Actual spending	Planned	Actual	Variance
8,078	*0*	*0*	10	0	-10

Program activity summary

Special intervention measures are intended to support communities or regions facing significant economic shocks or natural disasters. In such situations, where additional dedicated funding is provided by the Government of Canada, the Agency temporarily institutes special adjustment measures to enable communities to sustain their economic activity and undertake action to find a new balance or regain economic stability.

This program activity has two objectives:

- Community adjustment to economic shocks: facilitate identification and implementation of development and diversification opportunities in communities faced with the loss of major sources of employment. The Agency provides assistance to communities and regions facing significant economic shocks.
- Community adjustment to natural disasters: facilitate adjustment by communities confronted with natural disasters.

Analysis of performance and benefits to Canada

In the past, the Canadian Apparel and Textile Industries Program (CANtex) was considered a special intervention measure. This has been changed in light of the fact that the program seeks to support SME competitiveness in response to a sectoral crisis rather than to an economic shock. Therefore, the Agency accounted for the interventions carried out through the CANtex program in 2007-2008 under *Competitiveness of enterprises (SMEs)*, and more specifically under *Development of enterprises' capabilities*. The new performance measurements were thus applied in connection with the targeted objectives and outcomes. As such, the actual spending and human resources used for the program now figure under *Competitiveness of enterprises (SMEs)*.

2.2 Strategic outcome #2: *Competitiveness of SMEs and regions*

Presence of conditions conducive to the sustainable growth and competitive positioning of SMEs and regions

"Agency contributions within Quebec SMEs and communities produce $3.77 in financial leverage for every dollar spent. Approved funding of $344.5 million generates $1.3 billion in total investment."

Enterprises and regions are operating in an increasingly integrated economic environment characterized by, among other things, the growing presence of emerging economies (e.g. China and India). Coupled with the acceleration in technological advances, this situation has resulted in increased opportunities (access to new markets and new ideas) as well as in greater need for adjustment (reassignment of workers, new business models). Raising the competitiveness of SMEs and regions will help generate wealth and create jobs.

Given this environment, the Agency focuses its actions supporting SMEs and NPOs in the area of competitiveness on the development of strategic capabilities, networks, innovation and knowledge and the attraction of investment. These interventions are ultimately aimed at reinforcing conditions conducive to the sustainable growth and competitive positioning of the regions and of SMEs.

In pursuing this strategic outcome, the Agency supported the following two components:

- *Competitiveness of enterprises (SMEs)* – by helping enterprises improve their performance and competitiveness and become more innovative to facilitate their sustainable growth.
- *Competitive positioning of regions* – by promoting the development of clusters, the transfer of technology and research outputs to enterprises and the creation of conditions conducive to the attraction of foreign investment and international organizations.

Of these components, the Agency concentrated its funding primarily on *Competitiveness of enterprises (SMEs)*. Consequently, the results achieved through this strategic outcome are due to efforts to improve SME performance.

2.2.1 Program activity: *Competitiveness of enterprises (SMEs)*

Strategic outcome	Program activity	Program subactivity
Competitiveness of SMEs and regions – Presence of conditions conducive to the sustainable growth and competitive positioning of SMEs and regions	*Competitiveness of enterprises (SMEs)*	▪ *Development of enterprises' capabilities* ▪ *Development of strategic enterprises*

Expected outcomes of the *Competitiveness of enterprises (SMEs)* program activity

Results:	Indicators and summary of performance:	Variance in budget intensity[39]:
Assisted enterprises are using their strategic capabilities.	148 specialized resources hired 339 enterprises improved their value-chain management or integrated a value chain Average increase in foreign sales of $583,500 Average increase in sales of $808,200	↗ 5%
Products and services derived from R&D are being commercialized.	Average increase in sales of $385,300 from products and services derived from R&D	
New enterprises and strategic capital investments are consolidating the economic base of the regions.	101 innovative enterprises created or expanded and 1,133 jobs created Average survival rate of 57% for incubated enterprises.[40]	↗ 8%

39 This information shows whether 2007-2008 efforts were consistent with established priorities. See Appendix 3: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

40 Study of eight incubators funded by the Agency.

2007-2008					
Financial resources *(in thousands of dollars)*			Human resources *(full-time equivalents)*		
Planned spending	Total authorities	Actual spending	Planned	Actual	Variance[41]
74,535	*72,109*	*69,049*	82	88	+6

Program activity summary

This program activity enables enterprises to improve their performance and competitiveness through higher productivity, income earned and number of jobs in the regions, thereby contributing to the creation of conditions conducive to sustainable growth.

Mainly targeting SMEs and NPOs, this program activity is carried out through two grants and contributions programs, namely Business and Regional Growth and the Canadian Apparel and Textile Industries Program (CANtex).

To support the competitiveness of SMEs, the Agency fostered:

- Development of enterprises' capabilities[42] – by improving SME capabilities for management, innovation, adoption of leading-edge technologies, market development and integration within global production chains
- Development of strategic enterprises – by supporting the establishment and early expansion phases of enterprises in economic sectors considered strategic to a region's development so as to consolidate its economic base.

41 The Canadian Apparel and Textiles Program (CANtex) used to be considered a special intervention measure. In 2007-2008, the Agency transferred the 10 FTEs under this program to *Competitiveness of enterprises (SMEs)*.

42 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

Analysis of performance and benefits to Canada

The higher Canadian dollar, increased energy costs and economic slowdown in the United States have had the effect of checking the intensity of enterprises' market development activities in the U.S., causing a drop in their export growth. At the same time, the rise in the Canadian dollar has also brought about a decrease in the acquisition cost of machinery and equipment, thereby bolstering investment in higher-performance equipment that consequently helped enterprises improve their productivity.

The total value of the 594 projects recorded under the *Competitiveness of enterprises (SMEs)* component in 2007-2008 reached more than $780 million, of which $181.9 million was from Agency funding.

In 2007-2008, actual spending for projects in execution amounted to $69 million, whereas planned spending for the year stood at $72 million. Despite this gap, the Agency's share of investments rose by 13% over 2006-2007.

Of these expenditures, grants and contributions spending for the CANtex program accounted for $4.2 million in funding to 52 enterprises. Twenty-two of these enterprises recorded gains in productivity and an average increase in sales of $758,000.

In a global environment, an enterprise's competitiveness hinges on its ability to be innovative with respect to products and processes, all the way from its sale and after-sale services right through to its integration in major distribution and manufacturing networks. In 2007-2008, the Agency therefore strove to maximize the impact of its investments by putting priority on raising the strategic capabilities of enterprises. The following are performance results that helped further the goal of building a strong economy for Canadians:

- on average, one specialized resource hired per firm, for a total of 148 specialized resources (112 enterprises), to help develop sustainable internal strategic capabilities within these enterprises
- an average increase in sales of $808,200 generated over the course of the year (154 enterprises)
- an average increase in foreign sales of $583,500 (83 enterprises) through market development projects

- export support organizations[43] served 3,708 enterprises, of which 484 were new export firms. Of the 1,679 export enterprises supported in all, 194 reported increases in foreign sales
- commercialization of products and services derived from R&D accounted for an average increase in sales of $385,300 for 17 enterprises assisted
- 339 enterprises improved their productivity or carried out projects enabling them to meet the requirements of major contract givers
- an average of 11.2 jobs created per innovative enterprise established or expanded (38 projects).

To stimulate the emergence of innovative enterprises, the Agency has provided funding to 10 technology incubators over the past few years. In 2007, a study was conducted comparing eight technology incubators funded by the Agency to nine others on the international level.[44] An estimated 57% of enterprises having received incubation services are still in operation five years after the fact, compared to the average survival rate of 35% for new enterprises.[45] Each Quebec incubator brought in 11 new enterprises per year over the past five years and incubated some 20 firms at a time. Of this number, seven enterprises per incubator per year successfully completed their incubation period. These results are comparable to those observed for the sample group of international incubators. Moreover, the study showed that, on average, each Quebec incubator contributed to the maintenance and creation of 122 jobs within the incubated enterprises as a whole.

43 Includes ORPEXs.

44 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN&SEL_MENU=PUB_AGE&FICHIER_RETOUR=doc_pub_agence.asp

45 *Taux de survie des nouvelles entreprises au Québec*, 2008 Edition. *Direction de l'analyse économique, Direction générale des politiques et des sociétés d'État, Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec* (MDEIE), May 2008.

Regional export promotion organizations (ORPEXs)

In 2007-2008, a total of 16 ORPEXs received funding from the Agency. More than 2,000 enterprises were provided export guidance services (advocacy, negotiation of alliances, partnerships, contracts, and so on) by these ORPEXs. The following results were achieved:

- 749 foreign strategies and commercialization plans developed
- 506 market development activities (missions, training sessions and information workshops) conducted, with 3,349 enterprises taking part
- 365 new export enterprises or enterprises initiating recurrent or significant sales for the enterprise over the past 24 months on at least one international market through implementation of a market penetration strategy
- 944 enterprises exporting, 171 of them reporting an increase in international sales.

Based on the annual survey conducted within the framework of this report, 94% of promoters said they could not have carried out their project without Agency financial assistance or could not have carried it out on the same scale or within the same timeframe. Such a high percentage is evidence of the incentive nature of Agency financial assistance. In fact, the Agency's intervention helped the enterprises that received assistance improve their performance and ability to compete in a highly-competitive market.

Lessons learned

The Agency helped SMEs raise their export capabilities through, among other things, the Partnering with Enterprises for Commercialization measure introduced in Fall 2006. However, as this initiative did not entirely answer the needs of SMEs, the Agency implemented a new export support measure better suited to SME needs in June 2008.

2.2.2 Program activity: *Competitive positioning of regions*

Strategic outcome	Program activity	Program subactivity
Competitiveness of SMEs and regions – Presence of conditions conducive to the sustainable growth and competitive positioning of SMEs and regions	*Competitive positioning of regions*	▪ *Competitiveness poles* ▪ *International promotion*

Expected outcomes of the *Competitive positioning of regions* program activity

Results:	Indicators and summary of performance:	Variance in budget intensity[46]:
Competitiveness poles are being developed and consolidated. Clusters or networks of enterprises in the same sector or region are better structured. The innovation commercialization process is generating medium- and long-range social and economic spinoffs.	4,585 enterprises networked or involved with networks An average of $3 million invested per applied research project 513 technology transfers 23 spin-off enterprises	↘ 17%
Competitive regions are attracting direct foreign investment and international organizations.	3,700 jobs stemming from direct foreign investment created and maintained in Quebec Three international organizations[47] established in Montréal	→ same

46 This information shows whether 2007-2008 efforts were consistent with established priorities. See Appendix 3: www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

47 The international organizations include: Finance Alliance for Sustainable Trade, the International Federation of Interior Architect and Designers and the Global Campaign on Climate.

2007-2008					
Financial resources *(in thousands of dollars)*			Human resources *(full-time equivalents)*		
Planned spending	Total authorities	Actual spending	Planned	Actual	Variance
44,551	*45,443*	*45,515*	*56*	*56*	0

Program activity summary

This program activity is aimed at improving the regions' international competitiveness by enhancing their knowledge and competitive advantages on the international stage. It is intended mainly for SMEs and NPOs and supported by the Business and Regional Growth grants and contributions program.

The program activity's two targeted objectives are:

- developing and consolidating regional competitiveness poles and national- and international-calibre poles of excellence; to achieve this, the Agency intends to foster innovation and networking of knowledge players, sustain development of a critical mass of knowledge in the sectors and regions and support technology enhancement and transfer
- enhancing the international competitiveness of Quebec's regions; to achieve this, the Agency plans to favour the integrated promotion of locational factors, attraction of direct foreign investment and reinvestment by foreign enterprises already established in Quebec.

Analysis of performance and benefits to Canada

The total value of the 118 projects registered under the *Competitive positioning of regions* component in 2007-2008 totalled more than $555 million. Of this amount, $162.7 million represents Agency funding.

The actual spending for projects in execution stood at $45.5 million in 2007-2008 versus planned spending of $44.5 million as stated the 2007-2008 RPP.

The international competitiveness of the regions is achieved through cluster networking activities, applied research conducted collaboratively by innovative SMEs and knowledge institutions, technology transfers and international promotion of regional assets. To maximize the Agency's investments in competitiveness of the regions, the activities carried out in 2007-2008 focused on supporting the development of clusters and international promotion and prospecting activities to attract foreign investment and encourage the setting up of international organizations. Through these activities, the following performance results helped further the goal of building a strong economy for Canadians:

- 4,585 enterprises participate in activities of 25 networks
- an average of $3 million invested in 28 applied research projects involving 559 enterprises
- 513 technology transfers carried out among the 659 enterprises having benefited from technology transfer services
- 23 spin-off enterprises resulting from the technology transfer activities
- helped bring about $783 million in direct foreign investment and the creation and maintenance of 3,700 jobs in Quebec
- helped bring about the establishment of three international organizations in Montréal.

In summary, the Agency's interventions helped make the regions more competitive and the poles better able to contribute to improving Canada's competitive standing.

Lessons learned

To help achieve Strategic outcome #2: *Competitiveness of SMEs and regions*, the Agency focused its efforts in 2007-2008 on reinforcing the capabilities of enterprises, an essential condition to ensuring the competitive positioning of the regions. The Agency will continue to address the needs of SMEs to that end.

2.3 Strategic outcome #3: *Policies, representation and cooperation*

Policies, programs and cooperative actions that reflect the realities of Quebec's regions

Under its constituting legislation, the Agency has the power to establish policies and programs aimed at promoting the development and diversification of the economy of the regions of Quebec while fostering cooperation and complementarity with Quebec and Quebec's communities.

With this strategic outcome, the Agency seeks to identify the needs of Quebec's regions and communities with respect to regional economic development and to address these through policies, programs and initiatives, and by carrying out representation and collaboration activities.

Given the local and regional focus of the Agency's actions, it became essential that advisory committees be put in place to take the pulse of the regions. As a result of this participatory process, the policies, programs and initiatives of the Agency have become increasingly tuned in to Quebec's regional realities.

To achieve this strategic outcome:

- The Agency helps development stakeholders make enlightened and informed decisions by conducting and disseminating analyses and research on new trends, issues and challenges in regional development.
- The Agency raises awareness about issues in Quebec's regions through representation and influence so that Government of Canada decisions affecting regional development better reflect the realities of the regions of Quebec.
- The Agency ensures sound management of public funds through collaborative action with other government bodies involved in economic development.

2.3.1 Program activity: *Policies, programs and initiatives*

Strategic outcome	Program activity	Program subactivity
Policies, representation and cooperation – Policies, programs and initiatives that reflect the realities of Quebec's regions	*Policies, programs and initiatives*	▪ *Strategic research and analysis* ▪ *Representation and influence* ▪ *Cooperation and collaboration*

Expected outcomes of the *Policies, programs and initiatives* program activity

Results:	Summary of performance:	Variance in budget intensity[48]:
Policies, programs and initiatives are being developed on the basis of analyses on, notably, the challenges, opportunities, best approaches and emerging approaches in regional development.	Two new grants and contributions programs implemented Initiatives developed and integrated into the 2008-2011 strategic plan	
Organizations and development stakeholders have knowledge that allows them a better understanding of new trends, issues and challenges in development.	Study conducted on the Quebec manufacturing sector within the North American context Publication of Quebec economic facts and challenges Agency participation in the Metropolis coalition on regionalization of the immigration partnership	↗ 2%
The realities of Quebec's regions are taken into account in government decision-making.	Analysis of 275 recommendations from the 14 advisory committees taken into account in developing the 2008-2011 strategic plan	
The Agency has developed collaborative action with other federal government bodies and explored cooperative action with non-federal government organizations and development stakeholders.	Two trade missions to the U.S. organized in collaboration with development stakeholders Support initiative for international cruise development drawn up with government bodies (federal and provincial)	

48 This information shows whether 2007-2008 efforts were consistent with established priorities. If the rate is up, for example, it means the Agency invested more in this component. Its calculation is based on the difference between the strategic outcome's total share of actual spending in 2007-2008 versus its total share of actual spending in 2006-2007. Total spending excludes the *Infrastructure* program activity.

2007-2008

Financial resources *(in thousands of dollars)*			Human resources *(full-time equivalents)*		
Planned spending	Total authorities	Actual spending	Planned	Actual	Variance
6,588	*6,590*	*6,578*	53	52	-1

Program activity summary

This program activity enables Quebec's regions and communities to benefit from federal action that allows for, among others, the production and dissemination of regional economic development knowledge that is helpful to development stakeholders, and to take advantage of business and development opportunities.

Four objectives underpin this program activity:

- Analysis and research: helping development stakeholders gain access to facts and information necessary to enlighten their reflections and facilitate their decision-making on trends, issues and challenges in development.
- Policies and programs: addressing the needs of Quebec's regions and communities through development of adapted and coherent strategic directions, programs, initiatives, policies and guidelines.
- Representation and influence: enabling Quebec's regions and communities to benefit from actions influencing government directions and decisions on regional development so that they better reflect the particular realities of the regions.
- Cooperation and collaboration: enabling Quebec's regions and communities to benefit from coherent, effective and concerted action wherever issues, needs or opportunities could be served by collaboration with federal or non-federal bodies or where such collaboration is necessary or advantageous to the Agency or the Government.

Analysis of performance and benefits to Canada

The Agency's performance is measured on the basis of the implementation of two main programs (Community Diversification and Business and Regional Growth), the initiatives and the development of the 2008-2011 strategic plan. In order for the programs to achieve their desired outcomes, the Agency invested significant effort in the training and guidance of its advisors in the regions to ensure optimal implementation. In benefiting from programs and initiatives that reflect regional realities, Quebec's regions and communities were better supported and equipped to strengthen their contribution to national economic growth. Moreover, and again with a view to support implementation of the Agency's programs and to achieve targeted outcomes, criteria and guidelines were developed and implemented in relation to festivals and sporting events as well as to non-profit organizations.

This was how the Agency was able to fulfil its mandate and thus contribute to the vision of the Government's *Advantage Canada – Building a Strong Economy for Canadians* plan to create jobs, help entrepreneurs start up businesses and invest in dynamic communities.

Based on the consultations held with the advisory committees on, among other things, the niches and sectors the Agency should be prioritizing to foster the development of the regions, a certain number of priority intervention areas were established. This ensured that the realities of the regions were taken into account in the Agency's decision-making process. Indeed, the Agency unveiled its strategic plan for 2008-2011, placing increased emphasis on community and enterprise needs. This consultation mechanism also enabled the Agency to share some of the recommendations it received with other departments so as to inform them of and sensitize them to the issues identified by the advisory committees.

Through its mandate to promote the economic development of Quebec, the Agency works with Industry Canada, the Atlantic Canada Opportunities Agency and Western Economic Diversification in implementing Industry Canada's Industrial and Regional Benefits Policy. Within this framework and in collaboration with development stakeholders, the Agency organized two trade missions to the United States, one in the defence and aerospace sector and the other involving major Crown projects, in an effort to help Quebec enterprises harness new business and development opportunities. With respect to the defence and aerospace mission, four enterprises have already negotiated contracts valued at nearly $400,000, with prospective contracts evaluated at as much as $18.3 million.

The Agency also collaborated with the *Ministère du Tourisme du Québec* and the federal Fisheries and Oceans, Transport Canada and Canada Border Services Agency departments to establish a support initiative for international cruise development.

Lessons learned

The work of the 14 advisory committees (composed of business and economic development representatives) made it possible to more accurately pinpoint the needs of communities and better target the Agency's strategic directions. Consequently, the new initiatives and measures or the improved measures put forth in the 2008-2011 strategic plan will serve to capitalize on the results of this exercise.

3

ADDITIONAL INFORMATION

3.1 Financial highlights

The financial highlights presented in this report are intended to provide a general overview of the Agency's operations and financial situation. The detailed financial statements for 2007-2008 can be found on the Agency Website.[49]

The additional information presented in the previous financial tables was prepared on a cash basis and in the following financial statements on an accrual basis, with tables reconciling these two accounting methods also presented.

FINANCIAL HIGHLIGHTS

(in thousands of dollars)	Percentage variance	2008	2007
For the period ending March 31:			
Summary of financial situation			
Assets			
Total assets	- 3%	*156,476*	*160,849*
TOTAL	- 3%	*156,476*	*160,849*
Liabilities			
Total liabilities[1]	122%	*93,087*	*41,852*
Equity			
Total equity	- 47%	*63,389*	*118,997*
TOTAL	- 3%	*156,476*	*160,849*
For the period ending March 31:			
Summary of results			
Expenditures			
Total expenditures	- 6%	*312,662*	*332,374*
Revenue			
Total revenues[2]	- 55%	*669*	*1,497*
Net operating costs	- 6%	*311,993*	*330,877*

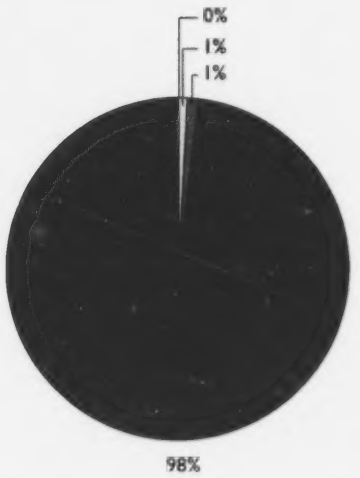
Notes:

1 The increase in liabilities is primarily attributable to year-end payables ($30.1 million at March 31, 2007, and $66.2 million at March 31, 2008).

2 Revenue is primarily composed of revenues from interest. At March 31, 2007, the level of revenues was higher than the normal average.

49 www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

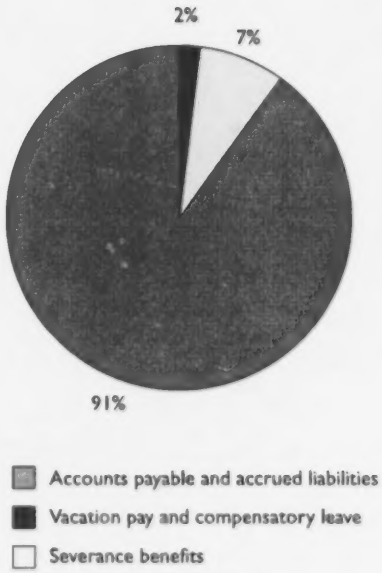
ASSETS



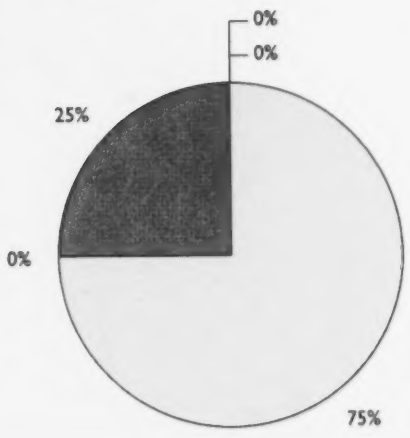
- Total assets of $156 million at the close of 2007-2008
- Down 3% from 2006-2007
- Loans account for 98% of the Agency's assets, or $153 million
- Accounts receivable represent 0.64% and tangible capital assets 1.36% of the total assets of the Agency

LIABILITIES

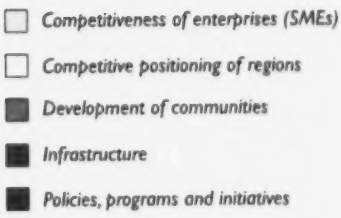
- Total liabilities of $93 million at the close of 2007-2008, up 122% over 2006-2007
- Payables of $85 million, vacation pay $2 million and compensatory leave $6 million
- At $85 million, accounts payable represent the largest share (91%) of liabilities
- Revenues are entered at the time of billing of interest and repayments above 100%



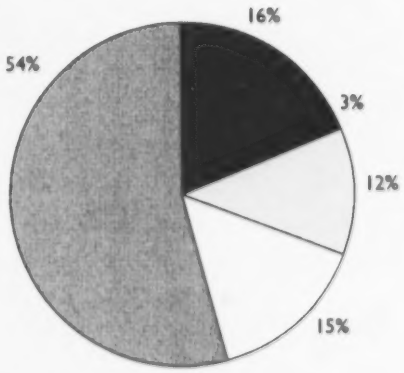
SALES – REVENUE



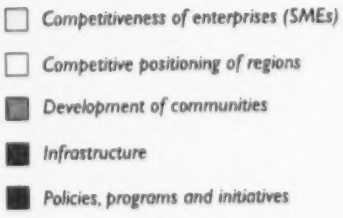
- Revenues composed primarily of interest ($497,000)
- Total sales revenues of $669,000



EXPENSES



- Total expenses of $313 million in 2007-2008
- The majority of funds, or $170 million, used for development of Canada's communities
- $50 million for *Infrastructure*
- $47 million for *Competitive positioning of regions*
- $36 million for *Competitiveness of enterprises (SMEs)*
- $10 million for *Policies, programs and initiatives*



3.2 Tables in electronic format posted on the Treasury Board Secretariat Website

The following tables can be found on the TBS Website:
www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-fra.asp

Table 4: Sources of non-respendable revenue

Illustrates revenue and provides an historical perspective. Revenue consists primarily of repayments of the repayable contributions awarded by the Agency.

Table 6A: *User Fees Act*

Lists all of the user fees.

Table 6B: *Policy on service standards for external fees*

In line with the *Policy on service standards for external fees*, the table presents the latest performance results and main events or plans regarding stakeholder consultation.

Table 9: Details on transfer payment programs

Reports on transfer payment program (TPP) performance in relation to the commitments and expected outcomes identified in the 2007-2008 RPP for transfers exceeding $5 million.

Table 12: Sustainable Development Strategy

Presents the state of advancement of commitments made since implementation of the SDD and expected departmental outcomes as stated in the 2007-2008 RPP.

Table 13: Response to parliamentary committees, audits and evaluations

Provides a list of responses to parliamentary committee reports, reports of the Auditor General of Canada and external audit reports concerning the Agency's activities in 2007-2008.

Table 14: Internal audits and evaluations

Lists all of the internal evaluations and audits conducted, with hyperlinks to their reports.

3.3 Other topics of interest

Promoter satisfaction

Performance results on promoter satisfaction regarding Agency services.

The table can be found on the Agency Website:
www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

4

APPENDICES

The appendices can be found on the Agency Website:
www.dec-ced.gc.ca/asp/Publications/Doc_pub_agence.asp?LANG=EN#RMR2

Appendix 1: List of the seven regions and 21 devitalized RCMs

Appendix 2: Agency performance measurement methodology

Appendix 3: Technical notes on result tables

Appendix 4: List of acronyms

Appendix 5: Agency business offices

Appendix 6: Resource-person and statute administered